

Message Text

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ACTION EB-03

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TO SECSTATE WASHDC 3215

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LIMDIS

PASS TO WILLIAM CASE, PRESIDENT OF EXIMBANK

E.O. 11652: GDS

TAGS: EGEN

SUBJECT: OPPORTUNITY FOR CONSTRUCTION AND SALE OF US TANKERS
TO VENEZUELA PLUS TRANSFER OF TECHNOLOGY

1. SIR RAYMOND SMITH, WHO FORMERLY WAS THE PRINCIPAL
BRITISH INTELLIGENCE OFFICER IN NORTHERN SOUTH AMERICA
AND WHO HAS BECOME A MILLIONAIRE IN HANDLING VARIOUS
BRITISH BUSINESS ACCOUNTS INCLUDING ROLLS ROYCE, HOWKER
SIDLEY AND SEVERAL NAVAL CONSTRUCTION FIRMS, ASKED ME TO
LUNCH WITH HIM PRIVATELY TODAY. HE HAS VERY CLOSE CONTACTS
WITH THE NEW ADECO GOVERNMENT AND I HAD THE IMPRESSION THAT
HE HAD BEEN ASKED BY PRESIDENT PEREZ, THE PRESIDENT OF THE
SENATE, GONZALO BARRIOS, WITH THE APPROBATION OF THE ADECO OIL
GURU PERZ ALFONSO, TO SOUND ME OUT ON THE FOLLOWING
PROPOSITION.

2. SMITH SAID THAT THE NEW ADECO GOVERNMENT IS ON THE
DEFENSIVE AGAINST A DELIBERATE CAMPAIGN BY CALDERA AND
OTHER LEADERS OF THE DEFEATED COPEI PARTY TO EMBARRASS THE
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ADECO GOVERNMENT AND IF POSSIBLE TO BRING IT DOWN. MAIN

FOCUS OF ATTACK WOULD BE ON PRESIDENT PEREZ' ANNOUNCED POLICY OF APPOINTING A COMMISSION TO STUDY REVERSION OF THE OIL CONCESSIONS AS CONTRASTED WITH BILLS INTRODUCED IN CONGRESS BY COPEI AND MEP CALLING FOR INSTANT REVERSION. TO FORESTALL AN UNFAVORABLE REACTION IN PUBLIC OPINION, SMITH SAID THAT PRESIDENT PEREZ DESIRED TO ENTER UPON AN AMBITIOUS TANKER BUILDING PROGRAM WHICH WOULD NOT ONLY SHOW THE FLAG BUT WOULD CONVINCE VENEZUELAN PUBLIC OPINION THAT NEW GOVERNMENT IS NATIONALISTIC IN ITS PETROLEUM POLICY.

3. SIR RAYMOND SAID THAT ALTHOUGH HE WAS A PURVEYOR OF BRITISH GOODS, UNFORTUNATELY BRITISH SHIPYARDS COULD NOT FILL ANY ORDERS IN LESS THAN FOUR YEARS. HE DID NOT WANT TO SEE THE VENEZUELAN TURN TO JAPAN OR GERMANY AND WOULD THEREFORE DESIRE THAT THESE POTENTIAL TANKER ORDERS GO TO THE UNITED STATES. HE SAID HE WOULD GIVE ME A LIST OF US COMPANIES, BOTH SHIPBUILDERS AND TANKER OPERATORS, WHICH THE VENEZUELAN GOVERNMENT MIGHT LOOK TO FOR CONSTRUCTION OF A TANKER FLEET WHICH IN THE 40,000 TON RANGE MIGHT AMOUNT TO 20 VESSELS AND IN THE 50,000 TO 60,000 TON RANGE BETWEEN 12 AND 14.

4. I TOLD SMITH THAT AMERICAN SHIPYARDS WERE PERFECTLY CAPABLE, BECAUSE OF ECONOMIES OF SCALE, TO TURN OUT TANKERS OF THE TYPE HE SUGGESTED. I THOUGHT ALSO THAT WITH OUR INCREASED EXPERIENCE IN BULK BUILDING (HERE I CITED PASCAGULA, NEWPORT NEWS, BETHLEHEM, TODD AND QUINCY), WE COULD MATCH ANY OTHER SHIPYARD IN THE WORLD FOR PROMPT DELIVERY. AS FOR PRICE, I THOUGHT WE COULD ALSO BE COMPETITIVE, AND I ADDED THAT IF THESE VESSELS WERE TO BE FOR VENEZUELAN REGISTRY, THE PLACE TO APPLY FOR AT LEAST PARTIAL FINANCING WOULD BE EXIMBANK.

5. I TOLD MY FRIEND THAT MY GRAVEST DOUBT, BASED ON MY GRIEVOUS EXPERIENCE WITH THE LACK OF EFFICIENCY IN THE VENEZUELAN NAVY, WAS WHETHER VENEZUELAN ENGINE ROOM CREWS COULD HANDLE MODERN HIGH PRESSURE STEAM, SUPERHEATED ENGINE ROOMS. I SUGGESTED, THEREFORE, THAT IF THE GOVERNMENT WENT IN FOR A FLEET OF VENEZUELAN FLAG TANKERS, THE

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CONTRACT SHOULD PROVIDE FOR SOME YEARS OF GUIDANCE BY AMERICANS OR AT LEAST NON-VENEZUELAN ENGINEERS IN THESE CRITICAL POWER PLANTS. SIR RAYMOND AGREED AND ADDED THAT IT WOULD BE IDLE FOR THE VENEZUELAN GOVERNMENT TO CREATE SUCH A TANKER FLEET IF IT DID NOT ALSO ON A SERVICE CONTRACT BASIS ACQUIRE THE NECESSARY TECHNICAL EXPERIENCE FOR THE RAPID HANDLING AND TURN AROUND OF BIG TANKERS.

6. SMITH SAID THAT HE HAD NOT CONFIDED THIS POSSIBILITY OF TANKER ORDERS TO ANYONE OTHER THAN ME, NOT EVEN HIS OWN BRITISH AMBASSADOR. IT IS PROBABLE HEAT HE WAS OPERATING, AS SUGGESTED ABOVE, IN RESPONSE TO A SUGGESTION FROM THE THE PRESIDENT AND HIS SENIOR ADVISERS FOR AN APPROACH TO THE UNITED STATES WHICH HOPEFULLY WOULD MEET WITH A FAIRLY PROMPT AFFIRMATIVE RESPONSE. I ALSO HAVE IN MIND THAT OVER MANY YEARS SIR RAYMOND HAS RARELY WORKED FOR FREE, AND THAT UNDOUBTEDLY THERE WILL BE A COMMISSION IN ANY DEAL WHICH HE MIGHT ARRANGE.

7. NEVERTHELESS, IN MY VIEW, WE HAVE AN ALMOST UNIQUE OPPORTUNITY NOT ONLY TO BENEFIT US SHIPYARDS AND LABOR BUT ALSO OUR BALANCE OF PAYMENTS WHILE AT THE SAME TIME HELPING THE NEW VENEZUELAN GOVERNMENT LITERALLY TO KEEP THE FLAG FLYING IN AN AREA OF THE OIL BUSINESS WHICH MIGHT DEFLECT POPULAR INTEREST FROM A PRECIPITATE TAKEOVER OF OUR OIL COMPANIES.
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